

State of Arizona  
Senate  
Fifty-third Legislature  
First Regular Session  
2017

Senate Engrossed  
**FILED**  
**MICHELE REAGAN**  
**SECRETARY OF STATE**

CHAPTER 277  
**SENATE BILL 1448**

AN ACT

AMENDING SECTIONS 35-101, 35-142 AND 35-313, ARIZONA REVISED STATUTES;  
RELATING TO THE STATE TREASURER.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 35-101, Arizona Revised Statutes, is amended to  
3 read:

4 35-101. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Allotment" means the allocation of an appropriation or other  
7 fund source over a full fiscal year within a budget program or expenditure  
8 class.

9 2. "Annual budget unit" means the following agencies:

- 10 (a) The department of education.
- 11 (b) The Arizona board of regents.
- 12 (c) Arizona state university.
- 13 (d) Arizona state university west campus.
- 14 (e) Arizona state university east campus.
- 15 (f) The university of Arizona.
- 16 (g) Northern Arizona university.
- 17 (h) The school facilities board.
- 18 (i) The department of economic security.
- 19 (j) The state department of corrections.
- 20 (k) The department of juvenile corrections.
- 21 (l) The Arizona health care cost containment system.
- 22 (m) The department of health services.
- 23 (n) The department of administration.
- 24 (o) The department of transportation.
- 25 (p) The judiciary, including the supreme court, the court of  
26 appeals and the superior court.
- 27 (q) The department of child safety.

28 3. "Authorized agent" means a commercial enterprise THAT IS  
29 contracted to process transactions on behalf of a state agency.

30 4. "Biennial budget unit" means any department, commission, board,  
31 institution or other agency of the state organization receiving, expending  
32 or disbursing state funds or incurring obligations against the state that  
33 is not an annual budget unit.

34 5. "Budget estimates" means statements with accompanying  
35 explanations, as provided by this chapter, in which a budget unit states  
36 its financial requirements and requests appropriations.

37 6. "Budget program" means functions and activities of a budget unit  
38 or within a budget unit that are preplanned to fulfill a distinct mission.

39 7. "Budget unit" means any department, commission, board,  
40 institution or other agency of the state organization receiving, expending  
41 or disbursing state funds or incurring obligations against the state.  
42 Budget unit includes the annual budget units and biennial budget units.

43 8. "Cardholder" means any person:

- 44 (a) Named on the face of a credit card to whom or for whose benefit  
45 the credit card is issued by an issuer.

1 (b) In possession of a credit card with the consent of the person  
2 to whom the credit card was issued.

3 9. "Claim" means a demand against the state for payment for either:

4 (a) Goods delivered or, in the case of highway construction, goods  
5 or facilities to be delivered by the federal government.

6 (b) Services performed.

7 10. "Convenience fee" means an additional fee that is imposed by an  
8 authorized agent on a web-based or voice response portal transaction for  
9 the acceptance of a credit card that would not be charged if the same  
10 transaction were completed by an alternate method of payment.

11 11. "Credit card" means:

12 (a) Any instrument or device, whether known as a credit card,  
13 charge card, credit plate, courtesy card or identification card or by any  
14 other name, THAT IS issued with or without a fee by an issuer for the use  
15 of the cardholder in obtaining money, goods, services or anything else of  
16 value, either on credit or in possession or in consideration of an  
17 undertaking or guaranty by the issuer of the payment of a check drawn by  
18 the cardholder, on a promise to pay in part or in full at a future time,  
19 whether or not all or any part of the indebtedness represented by this  
20 promise to make deferred payment is secured or unsecured.

21 (b) Any debit card, electronic benefit transfer card or other  
22 access instrument or device, other than a check that is signed by the  
23 holder or other authorized signatory on the deposit account, that draws  
24 monies from a deposit account in order to obtain money, goods, services or  
25 anything else of value.

26 (c) Any stored value card, smart card or other instrument or device  
27 that enables a person to obtain goods, services or anything else of value  
28 through the use of value stored on the instrument or device.

29 (d) The number assigned to an instrument or device described in  
30 subdivision (a), (b) or (c) of this paragraph even if the physical  
31 instrument or device is not used or presented.

32 12. "Discount fee" means the fee THAT IS calculated and charged by  
33 the credit card issuer or a financial institution pursuant to an agreement  
34 for the processing of any credit card transaction.

35 13. "Encumbrance" means an obligation in the form of any purchase  
36 order, contract or other commitment ~~which~~ THAT is chargeable to an  
37 appropriation or any other authorized fund source and for which a part of  
38 the fund source is reserved. It ceases to be an encumbrance when paid or  
39 canceled.

40 14. "Expenditure class" means one of the kinds of expenditure  
41 denoting a class of services or commodities purchased or properties  
42 acquired as specified in the classification of expenditures prescribed by  
43 the director of the department of administration for use in expenditure  
44 accounting, in making budget estimates and in the budget reports and  
45 budgets.



1           15. "Issuer" means any business organization, state agency or  
2 financial institution, or its duly authorized agent, that issues a credit  
3 card.

4           16. "Prepayment" means the payment of a claim before receiving the  
5 goods or services.

6           17. "Processing fee" means a fee THAT IS charged by an entity other  
7 than a credit card issuer or the processing financial institution to  
8 process a credit card transaction.

9           18. "Purchase order" means a document that is signed by the  
10 appropriate agency authorized signatory, that requests a vendor to deliver  
11 described goods or services at a specific price and that on delivery and  
12 acceptance of the goods or services by this state becomes an obligation of  
13 this state.

14           19. "SERVICE FEE OR SURCHARGE" MEANS A FEE, WHETHER FIXED OR  
15 VARIABLE, THAT IS IN ADDITION TO THE TRANSACTION AMOUNT, THAT IS CHARGED  
16 BY A STATE AGENCY WHEN THE STATE AGENCY ACCEPTS A CREDIT CARD FOR PAYMENT  
17 AND THAT IS NECESSARY FOR THE STATE AGENCY TO PROCESS THE PAYMENT.

18           ~~19.~~ 20. "Transaction amount" means the total amount due to the  
19 state for any goods, service or license or anything else of value.

20           Sec. 2. Section 35-142, Arizona Revised Statutes, is amended to  
21 read:

22           35-142. Monies kept in funds separate from state general  
23 fund; receipt and withdrawal

24           A. All monies received for and belonging to the state shall be  
25 deposited in the state treasury and credited to the state general fund  
26 except the following, which shall be placed and retained in separate  
27 funds:

28           1. The unexpendable principal of monies received from federal land  
29 grants shall be placed in separate funds and the account of each such  
30 separate fund shall bear a title indicating the source and the institution  
31 or purpose to which such fund belongs.

32           2. The interest, rentals and other expendable money received as  
33 income from federal land grants shall be placed in separate accounts, each  
34 account bearing a title indicating the source and the institution or  
35 purpose to which the fund belongs. Such expendable monies shall be  
36 expended only as authorized, regulated and controlled by the general  
37 appropriation act or other act of the legislature.

38           3. All private or quasi-private monies authorized by law to be paid  
39 to or held by the state treasurer shall be placed in separate accounts,  
40 each account bearing a title indicating the source and purpose of such  
41 fund.

42           4. All monies legally pledged to retirement of building  
43 indebtedness or bonds issued by those institutions authorized to incur  
44 such indebtedness or to issue such bonds shall be placed in separate  
45 accounts.



1        5. Monies of a multi-county water conservation district authorized  
2 by law to be paid to or held by the state treasurer shall be placed in  
3 separate accounts, each account bearing a title indicating the source and  
4 purpose of such fund.

5        6. All monies collected by the Arizona game and fish department  
6 shall be deposited in a special fund known as the state game and fish  
7 protection fund for the use of the Arizona game and fish commission in  
8 carrying out the provisions of title 17.

9        7. All federal monies that are received by the department of  
10 economic security for family assistance benefits and medical eligibility  
11 as a result of efficiencies developed by the department of economic  
12 security and that would otherwise revert to the state general fund  
13 pursuant to section 35-190 shall be retained for use by the department of  
14 economic security in accordance with the terms and conditions imposed by  
15 the federal funding source in an account or accounts established or  
16 authorized by the state treasurer.

17        8. Monies designated by law as special state funds shall not be  
18 considered a part of the general fund. Unless otherwise prescribed by  
19 law, the state treasurer shall be the custodian of all such funds.

20        9. All monies received and any accounts established and maintained  
21 by the director of the Arizona state retirement system or the  
22 administrator of the public safety personnel retirement system, the  
23 corrections officer retirement plan and the elected officials' retirement  
24 plan.

25        10. Monies received by a state agency or institution as a gift,  
26 devise or donation shall not be considered a part of the state general  
27 fund or transferred to the state general fund unless the gift, devise or  
28 donation specifically authorizes a general state use for the monies. A  
29 state agency or institution that receives a monetary gift, devise or  
30 donation shall account for those monies separately.

31        B. No money shall be received or held by the state treasurer except  
32 as authorized by law, and in every instance the treasurer shall issue a  
33 receipt for money received and shall record the transaction in the  
34 statewide accounting system. No money shall be withdrawn from the  
35 treasury except on the warrant or electronic funds transfer voucher of the  
36 department of administration.

37        C. Monies received for and belonging to the state and resulting  
38 from compromises or settlements by or against this state, excluding  
39 restitution and reimbursement to state agencies for costs or attorney  
40 fees, shall be credited to the state general fund unless specifically  
41 credited to another fund by law. A fund consisting of monies other than  
42 monies received for restitution, costs or attorney fees shall not be  
43 established on the basis of a court order without prior legislative  
44 authorization. For the purposes of this subsection, "restitution" means

1 monies intended to compensate a specific, identifiable person, including  
2 this state, for economic loss.

3 D. All federal monies granted and paid to the state by the federal  
4 government shall be accounted for in the accounts or funds of the state in  
5 the necessary detail to meet federal and state accounting, budgetary and  
6 auditing requirements, and all appropriations for matching such federal  
7 monies shall be transferred from the general fund to such separate funds  
8 as needed, except as otherwise required by the federal government.

9 E. Nothing in this section requires the establishment of separate  
10 accounts or funds for such federal monies unless otherwise required by  
11 federal or state law. The department of administration has the authority  
12 to use the most efficient system of accounts and records, consistent with  
13 legal requirements and standard and necessary fiscal safeguards.

14 F. Nothing in this section precludes the creation by the department  
15 of administration of a clearing account or other acceptable accounting  
16 method to effect prompt payment of claims from an approved budget or  
17 appropriation. The department of administration shall report each account  
18 or fund established or cancelled to the directors of the joint legislative  
19 budget committee and the governor's office of strategic planning and  
20 budgeting.

21 G. Nothing in this section or any other section precludes the use  
22 of monies kept in funds separate from the STATE general fund, the interest  
23 from which accrues to the STATE general fund, for payment of claims  
24 against the STATE general fund, provided sufficient monies remain  
25 available for payment of claims against such funds.

26 H. The department of administration may issue warrants for  
27 qualified expenditures of federal program monies before they are deposited  
28 in the state treasury. The receipt of federal monies shall be timed to  
29 coincide, as closely as administratively feasible, with the redemption of  
30 warrants by the state treasurer. The department of administration shall  
31 limit expenditures to the amount that has been made available for the use  
32 under the grant award by the federal government. The state agency  
33 initiating the expenditures is responsible for ensuring that expenditures  
34 qualify for coverage under the guidelines of the federal grant award.

35 I. The department of administration shall establish the policies  
36 and procedures for all state agencies for drawing federal monies. When  
37 the established method results in federal monies being held by this state,  
38 the department of administration may use the interest earned on the monies  
39 to pay the federal government for any related interest liability. If an  
40 interest liability is incurred due to a state agency varying from the  
41 established policies and procedures, the department of administration  
42 shall charge the appropriate agency account or fund. Any federal interest  
43 liability owed to this state as a result of the delayed federal  
44 disbursements shall be used to offset this state's interest liability to



1 the federal government. Any remaining interest earnings shall be  
2 deposited in the state general fund.

3 J. Any state agency or authorized agent of a state agency may  
4 accept credit cards pursuant to an agreement entered into by the state  
5 treasurer pursuant to section 35-315 for the payment of any amount due to  
6 that agency or agent or this state.

7 K. Except for the department of revenue, agencies or authorized  
8 agents on behalf of state agencies that accept credit cards shall deduct  
9 any applicable discount fee and processing fee associated with the  
10 transaction amount before depositing the net amount in the appropriate  
11 state fund. No other reduction is permitted against the transaction  
12 amount. The net amount deposited in the appropriate state fund shall be  
13 considered as the full deposit required by law of monies received by the  
14 agency or the authorized agent. Payment of any applicable discount fee  
15 and processing fee shall be accounted for in the annual report submitted  
16 to the governor's office of strategic planning and budgeting in accordance  
17 with section 41-1273. The transaction amount of any credit card  
18 transaction shall not be reduced by any discount fee or processing fee in  
19 an amount in excess of the merchant card settlement fees reflected in the  
20 state banking contract with the state treasurer's office.

21 L. Any state agency that contracts with an authorized agent for the  
22 electronic processing of transactions pursuant to title 41, chapter 23 may  
23 include a provision in the contract to allow the authorized agent to  
24 impose a convenience fee OR A SERVICE FEE OR SURCHARGE. If allowed, the  
25 convenience fee OR THE SERVICE FEE OR SURCHARGE shall be charged to the  
26 cardholder in addition to the transaction amount, except for the  
27 following:

28 1. Except as provided in subsection R of this section, any permits,  
29 licenses or other authorizations needed to pursue a trade or occupation in  
30 this state.

31 2. Except as provided in subsection R of this section, any permits,  
32 licenses or other authorizations needed to establish, expand or operate a  
33 business in this state.

34 3. Except as provided in subsection R of this section, any permits,  
35 licenses or other authorizations needed to register a vehicle or license a  
36 driver in this state.

37 M. Each state agency or its authorized agent shall:

38 1. Deduct the amount of the convenience fee OR THE SERVICE FEE OR  
39 SURCHARGE before depositing the transaction amount or the transaction  
40 amount reduced by the discount fee or the processing fee, or both, into  
41 the appropriate state fund.

42 2. Not deduct any part of the convenience fee OR THE SERVICE FEE OR  
43 SURCHARGE from the transaction amount before depositing the net amount  
44 into the appropriate state fund.



1           3. Deduct the amount of the discount fee or the processing fee, or  
2 both, from the transaction amount before depositing the net amount into  
3 the appropriate state fund.

4           N. The net amount deposited in the appropriate state fund pursuant  
5 to subsection L or M of this section shall be considered as the full  
6 deposit of monies that is required by law and that is received by the  
7 agency.

8           O. BEFORE CHARGING A CONVENIENCE FEE OR A SERVICE FEE OR SURCHARGE,  
9 A STATE AGENCY SHALL SUBMIT THE PROPOSED CONVENIENCE FEE OR THE PROPOSED  
10 SERVICE FEE OR SURCHARGE TO THE STATE TREASURER FOR APPROVAL. IF THE  
11 STATE TREASURER DETERMINES THAT THE PROPOSED CONVENIENCE FEE OR THE  
12 PROPOSED SERVICE FEE OR SURCHARGE IS NECESSARY TO ENSURE THE EFFICIENT  
13 PROCESSING OF PAYMENTS TO THE STATE AGENCY AND IS IN COMPLIANCE WITH THE  
14 STANDARDS OF THE CREDIT CARD INDUSTRY, THE STATE TREASURER SHALL APPROVE  
15 THE CONVENIENCE FEE OR THE SERVICE FEE OR SURCHARGE. Notwithstanding  
16 section 35-142.01, convenience fees received by a state agency or its  
17 authorized agent ~~are limited to, and~~ may be used to offset, the costs  
18 imposed by the authorized agent in processing the transactions.

19           P. When the percentage of electronic transactions first exceeds at  
20 least thirty percent of a state agency's total transactions, the state  
21 agency shall perform a cost benefit report, including costs of convenience  
22 fees OR THE SERVICE FEE OR SURCHARGE, the amount of revenue generated and  
23 any realized cost savings.

24           Q. Nothing in this section or any other provision of law authorizes  
25 any state agency, authorized agent of any state agency or budget unit to  
26 establish a bank account for any government monies. All monies received  
27 by or on behalf of this state shall be deposited with and in the custody  
28 of the state treasurer or in an account that is authorized by the state  
29 treasurer pursuant to this section. This subsection does not apply to  
30 monies received and any accounts established and maintained by the  
31 director of the Arizona state retirement system or the administrator of  
32 the public safety personnel retirement system, the corrections officer  
33 retirement plan and the elected officials' retirement plan.

34           R. If a state agency provides an alternative method of payment, the  
35 convenience fee OR THE SERVICE FEE OR SURCHARGE may be charged to the  
36 cardholder in addition to the transaction amount.

37           Sec. 3. Section 35-313, Arizona Revised Statutes, is amended to  
38 read:

39           35-313. Investment of trust and treasury monies; loan of  
40                                   securities

41           A. The state treasurer shall invest and reinvest trust and treasury  
42 monies in any of the following items:

43           1. Obligations issued or guaranteed by the United States or any of  
44 its agencies, sponsored agencies, corporations, sponsored corporations or  
45 instrumentalities.

1        2. ~~Collateralized Repurchase agreements purchased from~~  
2 COLLATERALIZED WITH securities dealers ~~that make markets in those~~  
3 ~~securities listed in paragraph 1 of this subsection~~ THAT ARE AUTHORIZED  
4 FOR INVESTMENT PURSUANT TO STATE LAW AND THAT ARE PURCHASED FROM  
5 AUTHORIZED COUNTERPARTIES THAT HAVE ADEQUATE CAPITAL AND LIQUIDITY AS  
6 DETERMINED BY THE STATE TREASURER.

7        3. Bonds or other evidences of indebtedness of this state or any of  
8 the counties or incorporated cities, towns or duly organized school  
9 districts.

10       4. Commercial paper whose issuer is ~~rated in one of the two highest~~  
11 ~~rating categories~~ INVESTMENT GRADE for short-term obligations by any two  
12 nationally recognized statistical rating organizations.

13       5. Bills of exchange or time drafts known as bankers acceptances  
14 that are drawn on and accepted by a commercial bank.

15       6. Negotiable certificates of deposit issued by a nationally or  
16 state chartered bank or savings and loan association.

17       7. Bonds, debentures, notes or other evidences of indebtedness that  
18 are denominated in United States dollars and that carry an investment  
19 grade rating by a nationally recognized bond rating agency.

20       8. Securities of or any other interests in any open-end or  
21 closed-end management type investment company or investment trust,  
22 including exchange traded products whose underlying investments are  
23 invested in securities allowed by state law, registered under the  
24 investment company act of 1940 (54 Stat. 789; 15 United States Code  
25 sections 80a-1 through 80a-64), as amended. For any treasurer investment  
26 pool that seeks to maintain a constant share price, both of the following  
27 apply:

28       (a) The investment company or investment trust takes delivery of  
29 the collateral for any repurchase agreement either directly or through an  
30 authorized custodian.

31       (b) The investment policy of the investment company or investment  
32 trust includes seeking to maintain a constant share price.

33       9. Certificates of deferred property taxes as provided by section  
34 42-17309.

35       10. Treasurer's warrant notes issued pursuant to section 35-185.01  
36 or registered warrants of a county issued pursuant to section 11-605, if  
37 the yield is equal to or greater than yields on eligible investment  
38 instruments of comparable maturities.

39       11. Shares in the treasurer's local government investment pools  
40 pursuant to section 35-326 provided that investment policies of the pool  
41 seek to maintain a constant share price.

42       12. Shares in the treasurer's long-term local government investment  
43 pools, which terms are determined by the state board of investment,  
44 pursuant to section 35-326.01.



1        13. Subject to subsection D of this section, state transportation  
2 board funding obligations delivered pursuant to section 28-7678.

3        14. Deposits placed in accordance with the procedures prescribed in  
4 section 35-323.01.

5        15. Institutional common trust funds whose underlying investments  
6 are invested in securities allowed by state law.

7        16. Program funding obligations delivered by the credit enhancement  
8 eligibility board pursuant to section 15-2157.

9        B. In case of default or failure to honor a county treasurer's  
10 warrant, the state treasurer may withhold the first state shared revenues  
11 that would otherwise be distributed to the defaulting county in the amount  
12 necessary to honor the note, including accrued interest to and beyond the  
13 date of default.

14        C. The state treasurer may contract to loan securities owned by the  
15 trust funds and operating monies deposited in the investment pools  
16 pursuant to section 35-316, subsection B to the financial or dealer  
17 community through one or more of the entities listed in section 35-317,  
18 subsection A, or authorized by the board of investment pursuant to section  
19 35-311, subsection E, if the borrower transfers collateral to the state  
20 treasurer or acting agent of the state in the form of cash or securities  
21 ~~specified in subsection A of this section~~ AUTHORIZED FOR INVESTMENT  
22 PURSUANT TO STATE LAW. Collateral posted in the form of cash shall be in  
23 an amount equal to at least one hundred percent of the market value of the  
24 loaned securities as agreed. Collateral posted in the form of securities  
25 shall be in an amount of ~~no more than~~ AT LEAST one hundred ~~ten~~ TWO percent  
26 of the market value of the loaned securities as established from time to  
27 time by the board of investment. The loaned securities shall be valued as  
28 to market value daily, and, if necessary, the borrower shall post  
29 additional collateral, as agreed, to ensure that the required margin is  
30 maintained. The state treasurer may collect from the borrower all  
31 dividends, interest, premiums, rights and other distributions to which the  
32 lender of securities would otherwise be entitled. The state treasurer may  
33 terminate the contract on not less than five business days' notice, as  
34 agreed, and the borrower may terminate the contract on not less than two  
35 business days' notice, as agreed.

36        D. The state treasurer shall invest operating monies in state  
37 transportation board funding obligations delivered pursuant to section  
38 28-7678 pursuant to the following:

39        1. The state treasurer shall liquidate investments of operating  
40 monies if necessary in order to invest in state transportation board  
41 funding obligations, except that if operating monies in the state general  
42 fund fall below an eight hundred million dollar average over the previous  
43 twelve consecutive months, the state treasurer is not required to purchase  
44 state transportation board funding obligations pursuant to this  
45 subsection.



1           2. Each series of state transportation board funding obligations  
2 shall bear interest at a fixed interest rate equal to the mean bid-ask  
3 price of the United States treasury obligation with a maturity date  
4 closest to the maturity date of the state transportation board funding  
5 obligation as determined by the pricing system used by the state treasurer  
6 before the date the state treasurer receives a certificate from the state  
7 transportation board that states the board's determination to deliver an  
8 obligation to the state treasurer and the anticipated delivery date of the  
9 obligation. The delivery date shall be between fifteen and sixty days  
10 after the day the state treasurer receives the certificate.

11           3. The state treasurer shall provide written notice to the state  
12 transportation board and the director of the department of transportation  
13 when the operating monies fall below four hundred million dollars. If  
14 operating monies fall below two hundred million dollars, the state  
15 treasurer may call the investment in the state transportation board  
16 funding obligations in twenty-five million dollar increments up to the  
17 amount that the operating monies are below two hundred million dollars.  
18 The state treasurer shall give the state transportation board and the  
19 director of the department of transportation at least fifteen days' notice  
20 of the call.

**APPROVED BY THE GOVERNOR MAY 3, 2017.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 3, 2017.**

Passed the House April 26, 20 17,

Passed the Senate February 20, 20 17,

by the following vote: 54 Ayes,

by the following vote: 29 Ayes,

0 Nays, 6 Not Voting

0 Nays, 1 Not Voting

[Signature]  
Speaker of the House  
*Pro Tempore*

[Signature]  
President of the Senate

[Signature]  
Chief Clerk of the House

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

27 day of April, 20 17,

at 10:36 o'clock A M.

[Signature]  
Secretary to the Governor

Approved this 3rd day of

May, 20 17,

at 2:27 o'clock P. M.

[Signature]  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 3 day of May, 20 17,

at 5:16 o'clock P M.

[Signature]  
Secretary of State

S.B. 1448